Fewer Million Dollar Incomes No Indication of Poverty

Shifting of Wealth and Weak Tax Plan Shown by Comparisons of 1917 and 1918 Figures Just Published---How the North Foots the Bill

THE surprising decrease in the number of incomes subject to a levy of $1,000,000 revealed in income tax statistics recently given out by the Treasury Department is taken by students of the nation's financial status to disclose a shifting rather than a falling off in wealth, and in their minds indicates conditions calling for sweeping changes in the Government's revenue system as applied to taxation. The statistics for the calendar year 1918 show only sixty-seven incomes against which a tax of $1,000,000 a year or more was levied, as compared to 141 in 1917 and 206 in 1916. The sixty-seven in 1918 were levied upon at an average rate of 64.65 per cent., as compared to 35.65 per cent. in 1917, and paid into the Treasury $88,885,249—an average of $1,326,645.

The report shows a total amount of net income of $15,924,639,355 yielding a total tax of $1,127,721,835 and an average tax per individual of $254.85, as against an average of $199.11 for the individual and a total yield of $691,492,954 in 1917. The total net income reported in 1917 was $13,652,383,207, so the figures for 1918 show an increase of 17 per cent.

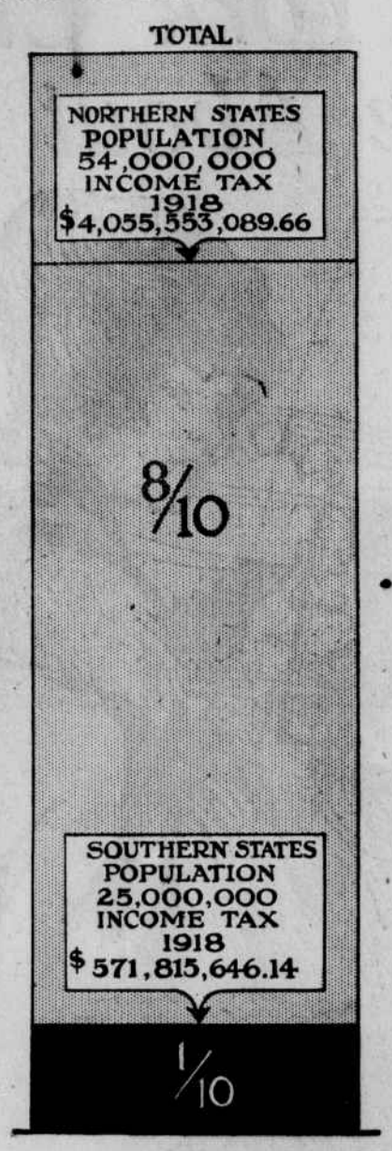
It is notable that the largest in net income over the period in question were in the classes from $2,000 to $10,000, the most striking increase of all being one of 76 per cent. in the $2,000-$3,000 class, in which wages and salaries figure as distinctive from dividends and profits.

Revenue Act Falls Flat When War Profits Cease

When the Ways and Means Committee of the House of Representatives, under the chairmanship of Claude Kitchin of North Carolina, constructed the revenue act in 1918, under which taxes for the payment of the stupendous war debt were to be levied, the vision of those who controlled the committee did not extend to the inevitable time when war profits should cease to be the chief source of revenue.

Reduction of war profits in 1918 and their diminution in 1919 and 1920 have confronted Congress with the problem of revising a major portion of the revenue act. Of the classes provided for by the act, graduating down from $1,000,000 and over to the class $25,000 to $50,000, the Internal Revenue Department of the Treasury reports that in 1918 it failed to collect on the average of 31 per cent. as much in 1918 as it had collected in 1917.

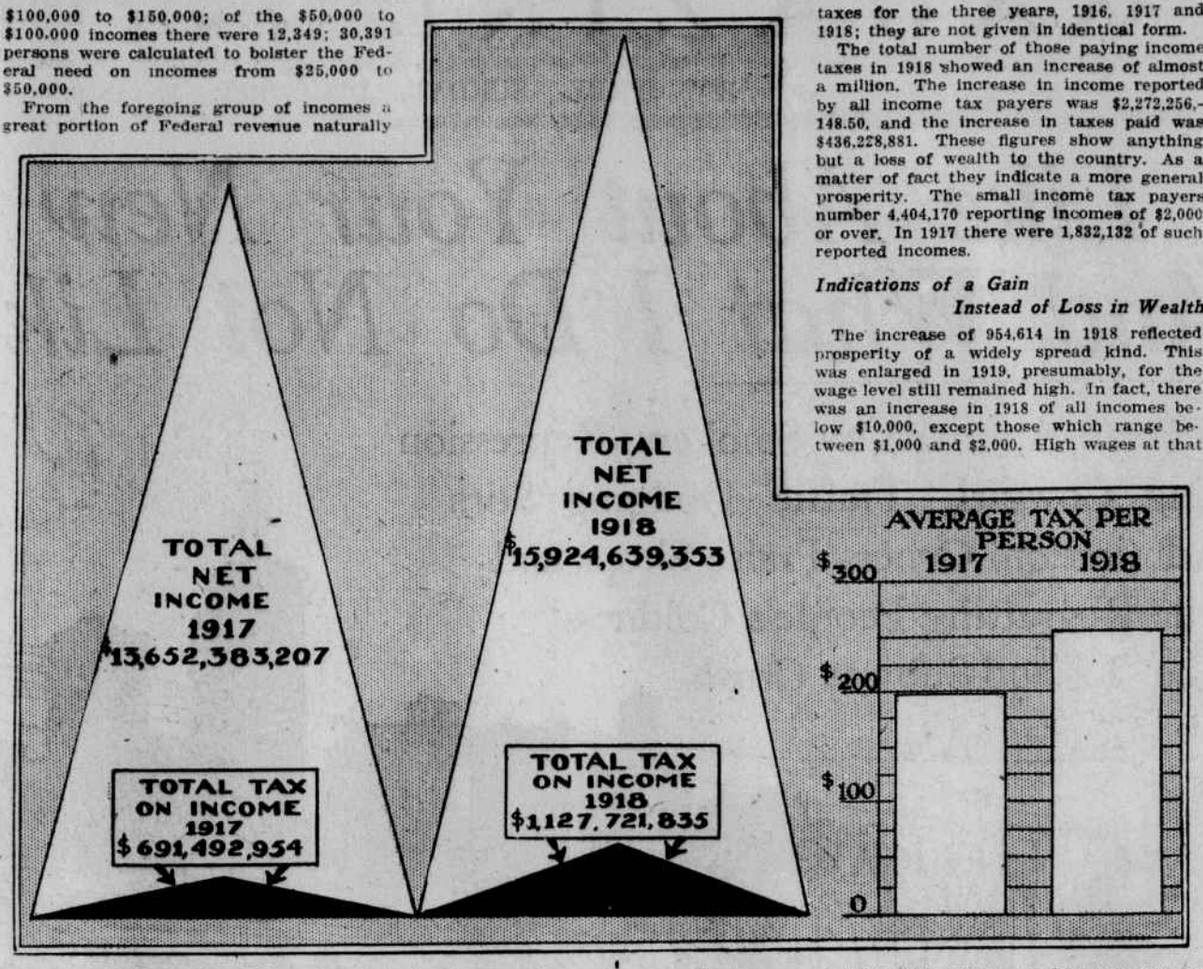
Chairman Kitchin in 1918 assured the committee that the tax bill reported would assess the taxes on the country chiefly



north of the Mason and Dixon line; furthermore, that the major part of the needs for war debts would be supplied by wealth.

In 1917 there were recorded on the books of the Treasury Department some 141 persons whose taxable incomes were in excess of $1,000,000. There were 315 persons who paid on incomes exceeding $500,000. Five hundred and fifty-nine incomes in excess of $300,000 were subject to the levy of the Federal Government. Two thousand three hundred and forty-seven incomes of $150,000 to $300,000; 3,302 citizens possessed incomes subject to taxation which were from $100,000 to $150,000; of the $50,000 to $100,000 incomes there were 12,349; 30,391 persons were calculated to bolster the Federal need on incomes from $25,000 to $50,000.

From the foregoing group of incomes a great portion of Federal revenue naturally



was expected. Reduction of those incomes, however, following the armistice and the secession of war profits was an obvious preclusion.

Collection of such a low percentage in 1918 of the amount collected in 1917 portends grave predictions for the comparative collections in 1919 and 1920, the reports of which have not yet been made public by the Treasury Department.

Money in Tax Free Bonds Suggested as an Explanation

Various theories are conjectured at the Treasury Department and at the Capitol as to why the large incomes apparently decreased so greatly in the year 1917 to 1918. A favorite explanation is that many possessors of wealth had anticipated the heavy drain they would have to bear as a result of the terrific war expenditures and got under the cover of the various Liberty bond issues which were tax free.

There were three classes of bonds which were placed in the tax exempt category—Federal, State and municipal. As there was a decrease of $327,000,000 in the annual revenue from 1916 to 1918, at the rate of 5 per cent. for all Federal, State or municipal bonds, it would have required over $6,500,000,000 in bond exemptions to make up the deficit. It is believed by observers of the problems of the Federal Treasury that no such amount of money was taken from other investments by those in the previously mentioned seven classes of incomes for tax exempt bonds.

As the capitalization of income at 4 per cent represents $40,000 on a million this is taken as the millionaire line. For multiples of $40,000, the steps are by $10,000 and this is misleading in any enumeration of millionaires. Incomes are not fixed and even those from wealth fluctuate, while those from speculation are recognizably uncertain.

A millionaire who put his wealth in Liberty bonds exclusively would not be a millionaire according to the tax commissioners. If he possessed a million of them he still would not be included in the millionaire line. It is also conceivable that by such an investment in Liberty bonds he would have lost more in principal than the income which made him a millionaire. That is, he would have diverted his wealth from more remunerative investments.

It is reasonable to believe that there was more wealth and more millionaires in 1918 than in 1917 and the decrease in the number of the latter in 1916 may be due to many of them disposing of their wealth in exempt securities so that they are no longer to be counted in the millionaire class. This decrease then need not indicate decrease of wealth but diversion of income.

Variation in the number of income tax payers may signify different rates of taxes and exemption or more efficient collection of identical taxes. It is difficult to show this by a comparison of tables of incomes and taxes for the three years, 1916, 1917 and 1918; they are not given in identical form.

The total number of those paying income taxes in 1918 showed an increase of almost a million. The increase in income reported by all income tax payers was $2,272,256,148.50, and the increase in taxes paid was $436,228,881. These figures show anything but a loss of wealth to the country. As a matter of fact they indicate a more general prosperity. The small income tax payers number 4,404,170 reporting incomes of $2,000 or over. In 1917 there were 1,832,132 of such reported incomes.

Indications of a Gain Instead of Loss in Wealth

The increase of 954,614 in 1918 reflected prosperity of a widely spread kind. This was enlarged in 1919, presumably, for the wage level still remained high. In fact, there was an increase in 1918 of all incomes below $10,000, except those which range between $1,000 and $2,000. High wages at that period undoubtedly meant that wage earners of these lowest amounts had advanced into the class above. From these inferences there is no reason in the supposition that the country is no longer prosperous, but the contrary.

Chairman Good, who succeeded Mr. Kitchin at the head of the Ways and Means Committee of the House, expressed amazement when shown the decreases in the seven principal sources of income revenue. Upon his reorganized committee will fall the responsibility of making new tax schedules. Their duty will be to find new sources of taxation to supplant the depreciated revenues which had been prescribed by his predecessor.

The Ways and Means Committee has begun to tackle this enormous task. It is now in session and expects to present revised schedules shortly after Congress convenes to-morrow.

The heavy toll of dual assessment on corporation earnings and stock has been described as a reason for the present serious depression in business. To the heavy burden of double taxation and ensuant large depreciation of earnings have been widely ascribed discouragements which have beset enterprise throughout the country.

Tax Burden Falls Heavy on Some and Light on Others

Further, to take stock in trade, a review of the inequality of taxation as conceived by the Kitchin Ways and Means Committee may serve us better to understand the business stagnation existing in certain sections of the country.

New England, with a population of 7,500,000, paid to the Government last year $543,843,646.28; New York, New Jersey, Pennsylvania, Delaware and Maryland, with a population of 24,000,000, paid $2,246,876,055.36; and Ohio, Indiana, Illinois, Michigan and Wisconsin, with a population of 20,000,000, paid $1,264,833,388.02.

These sixteen States, with a population of 54,000,000, or a total of one half the population of the United States, paid $4,055,553,089.66, or nearly four-fifths of the total taxes collected by the Federal Government last year. The thirteen States south of the Potomac and Ohio rivers, including Oklahoma and Texas, with a population of 25,000,000, or one-fourth of the whole, paid $571,815,646.14, or little more than one-tenth of the total, and one-seventh of the amount collected in the sixteen Northern States.

When Chairman Kitchin told the Democratic caucus that the taxes assessed by his bill would not be largely collected in the South he prophesied correctly. When Senator John Sharp Williams of Mississippi told his Democratic colleagues that he favored the income tax because it would not be collected in his State he apparently epitomized the best wishes of Kitchin and others who had such an omni-important part in the imposition of the law which should prescribe and collect those taxes.

Knowledge of the use for which a great portion of the unequally laid taxes were made serves further to stimulate the Good Ways and Means Committee to effectuate a different distribution of the burden than that accomplished by the Kitchin committee.

Millions Spent by Government Virtually a Free Gift to the South

A similar knowledge of those uses on the part of the electorate aided greatly to bring about the unprecedented repudiation of an entire group of governmental sectionalists. The War Department expended many millions of dollars on Southern camps, nitrate plants and arsenals. One hundred million dollars more now is being asked for the production of fertilizer for Southern cotton plantations. Military roads were built in the South with other millions. They were left by the War Department as a free gift to those States in which they were constructed. Local as well as Federal taxation thus was escaped. Southern harbors got tens of millions from the North Carolinian Secretary of the Navy. Many of these stations never were used for troops, munitions or supplies transportation.

The fathers of the Republic provided that "Representatives and direct taxes shall be apportioned among the several States according to respective numbers." The Sixteenth Amendment provided that "Congress shall have the power to lay and collect taxes on incomes from whatever source derived without apportionment among the several States and without respect to any census or enumeration."

The Sixteenth Amendment became effective in 1913—at the beginning of the Wilson Administration. The consummation of the threats of Southern lawmakers to make the North pay the freight came in 1918, when the Kitchin income tax law became enacted.

The Good Ways and Means Committee has a heavy undertaking on its hands. It must revise the tax schedules so they will fall equally, without regard to section or class, without malice or revenge. It must coordinate its deliberations with the tariff, the finance and other committees, so the heavy debt which has accumulated during the last eight years will be assessed as equitably as possible.

"What I Like About Your New York City—and What I Don't Like"

Continued from Preceding Page.

man from the West doesn't at once respond to the charm of the metropolis and say that it is all very wonderful.

"It is the bigness of the town and the loneliness of its people that make the deepest impression upon me. Every one seems like some tiny bit in the huge machine, and to be without very much energy of his own, but rather to be hurled about by some force which is not of him but far beyond him, and that is your New York. A fine place to be in for a little while, a place of opportunity, but hardly a place to live in all the year round and in which to sink deep the roots of life."

Wife of Kansas Governor Finds Best in Art and Music Here

Mrs. Henry J. Allen, wife of the Governor of Kansas, who has been at the Biltmore Hotel with her daughter awaiting the arrival of Gov. Allen, is particularly interested in New York city as an art and music centre. She devotes most of her time when here—if she is not engaged in chaperoning Miss Henriette, her young daughter, who is attending school, and her numerous friends—in visiting the Metropolitan Museum of Art and the various picture galleries along Fifth avenue. She is devoted to Childe Hassam's art, and considers his series of flag pictures one of the most interesting and beautiful souvenirs of the world war.

Mrs. Allen has travelled extensively in Europe, and while there she made a point of attending concerts, where great musicians played or sang and going to the art museums. She now considers New York the equal, if not the superior, of any European city from the standpoint of art and music offerings.

Mayor E. V. Babcock of Pittsburg and Mrs. Babcock, who came to New York for the Army and Navy football game and stopped at the Biltmore Hotel, consider New York an ideal place to visit. Mrs. Babcock praised the police force, which she said was wonderfully efficient, especially the traffic department, and she was enthusiastic about the brightness, the cleanness and the cheeriness of the great metropolis.

"The only criticism I could possibly offer," she replied when asked if there was not at least one flaw in New York, "is the way mobs gather and sometimes destroy property." Mrs. Babcock referred to the recent Sinn Fein attack on the Union Club, the conversation taking place the day following that episode. "It is a pity to deface any part of the beautiful city and not to control mobs. With this one exception no one could find a more delightful city to visit and to enjoy thoroughly," she said.

J. Hamilton Lewis of Chicago, recently Democratic candidate for Governor and formerly United States Senator, is impressed with the individuality of New York city. Mr. Lewis, who was seen at the Biltmore Hotel, declared that it was this characteristic which appealed to the Western visitors.

"The New York people are the most hospitable in the world," the former Senator declared, "and they are the busiest. The city is made up of all classes of citizens who come from the North, the East, the South and the West, yet they all call New York 'home.' When they go back to their native town for a vacation they always say they are returning 'home' when they mean back to their adopted city. They like to be identified with New York.

"I have the greatest admiration for the New York traffic cop. It is a mystery to me how he handles the traffic. People step on his toes, but he never gets impatient.

"The city is like a kid growing up. Old buildings are constantly being torn down to make way for new ones, the city is always being built up somewhere. This means progress. New York is growing and it is going to continue to grow. There's nothing to kick about here."

Florida Man Likes Metropolis Despite "L" and Subway Crush

Our elevated railroads offend the eye of Fred Maxwell of Miami, Fla., who was a recent visitor at the Biltmore Hotel. "The 'L' mars the beauty of the city," commented the Florida guest. "It darkens it, and about the only thing, according to my way of thinking, that they could do to improve it or make it less objectionable would be to paint the structures white. Then, of course, they would have to be painted about every twenty-four hours. Chicago is in the same fix.

"New York ought to tear down these elevated roads and build subways. Riding on a subway train is worse than playing football, yet it is one of the greatest pastimes visitors to the city can indulge in. You have to ride on the subway some time if you come to New York. New York subwayites are the most patient and tolerant people in the world. People tread on others' toes, step on their skirts, push them and shove them, knock their eyeglasses off, knock the packages out of their hands, and all the poor suffering victims do is to utter a few words and laugh over their helplessness.

"I'm not criticising the subway officials; they do the best they can with the big population and everybody going home or to work at the same time and with the necessary congestion of trains at the rush hour. But there ought to be more subways. If they don't begin to build some more soon people won't be able to get home from work.

"New Yorkers ought to stop littering up their fine streets. They have a habit of throwing paper, banana skins and cigarette boxes on the sidewalks and pavements. The streets are not garbage cans, though the average man and woman seems to think they are. And it isn't a habit confined to New York city. They do it elsewhere. The average man or woman would not throw a banana peel on a parlor rug, yet the same person will drop it on the sidewalk or the street.

"I must pay a compliment to the skilful dodging done by the New York man and woman. They can get out of the way of a taxicab, an automobile or a trolley car better than any one else I ever saw. And New York people are the nicest in the world to want to tell you about things, to explain their city, only they are so busy trying to get somewhere that they have to make the explanation sketchy."

The presence of Gen. Neville and his staff at the Hotel Waldorf-Astoria at the time the straw vote on New York's popularity was being taken drove most thoughts and nearly all connected speech out of the minds of other guests. But it was possible with some persistence to get a hearing for the question.

Senor Pezet, Ambassador from Peru to the United States, spent Thanksgiving week here with Madame Pezet and several friends. Their rooms on the fourth floor of the hotel appeared like a flowery bower, so many choice blossoms had been sent in to mark the festal season. The Pezet party visits New York frequently and the Ambassador and his wife are lavish in their praises of the city, for which they profess to feel a real affection.

It was in effect their first home in this country, for they took their first American soundings here before going to Washington, but that is some years ago. New York to them represents all that is best, gayest and also most serious in American life.

Julio Navaz of Nicaragua seemed to dissent from the note of adulation, although he preferred to have no opinion, and as he was at the time he was asked about his impressions waiting for a room, no doubt his impressions were nebulous. In fact, the Latin American "colony" at the Waldorf-Astoria and the McAlpin is increasing daily. It is already more numerous than at any former fall season in the memory of the hotel directors. One of the latter told THE NEW YORK HERALD man that he was receiving daily cabled inquiries for rooms from Argentina, Chile, Brazil and Cuba.

Francis Bennett, in spite of his American name, is a Norwegian who is making his first visit here. He arrived recently on the Bergenfjord and is at the Hotel McAlpin. He expressed himself amazed by the beauty and interest of New York.

Mr. Bennett is director of a travel bureau in Norway, which was established by his father in 1848. He escorted the late Col. Theodore Roosevelt through Denmark, Sweden and Norway when Mr. Roosevelt returned from his hunting trip to Africa, and it was while they were travelling from Christiania to Stockholm that a telegram was received telling of the death of King Edward of England, and Mr. Roosevelt immediately cut short his tour and started for London.

"We are naturally just having our first big travel boom to the Scandinavian countries now since the war," said Mr. Bennett, "although during the war we handled thousands of Red Cross, war and civil travellers between Russia and England and the United States and at the first outbreak of war had perhaps a thousand Americans 'stranded' there for whom we got a vessel to send them to New York.

"New York can give points to Europe in the matter of hotels. Rates there are as high as here, and in many cases higher. The service abroad does not compare with what we find in New York."

The opinion of Madame J. Hebert of Montreal, who has been at the Ritz-Carlton with her daughters, breaking her journey from Paris, is not complimentary. Mme. Hebert knows New York well by reason of frequent visits, and she likes to come to the city "because of her many personal friends who are citizens, but for no particular attraction that the city itself holds out." And the reason why it has none for her is this:

"You are too casual; one may come or not come to New York, but New York does not care. In other great cities of the world one finds a more individual welcome; here one is lost in a throng.

"It may be a question of temperament. The American temperament as manifested toward visitors is certainly cool. The same thing is noticeable in England. One arrives in London; and from whatever part of the world one comes, that fact calls out not a ripple of interest. How differently a stranger from a distant part of the world is greeted in Paris, and yet Paris is the focus of all the peoples of world!

"We were at Trouville throughout the season and returned to Paris for early winter shopping. In the hotel, in the shops, we were made to feel that we were desired guests; what we thought of the city after the war and during the present conditions were things inquired into by agreeable strangers. It was as if we were not strangers.

"I should dislike to be thought a critic of New York. I have no remarks to make about the extravagant cost of living here, for things are dear all over the world. Prices in Montreal are no lower than they are in New York and, of course, Paris at present is a place to avoid unless one has plenty of money.

"I care for my friends in New York, but not at all for the city. It utterly fails to make a personal impression on me, owing, I think, to the growing indifference of New York people themselves; they have become more casual than charming."

Washington Woman Finds Delight in Everything Here.

Perhaps the fact that Mrs. Richard Crossland, Jr., of Washington had just concluded her first month's visit to New York accounted for her very different impressions of the city. What she said sounded after the Montreal woman's delicate criticism like a paean of praise.

"New York," said she, "is quite too lovely in every way. I'm crazy about it and wish I was going to stop another month. I love the streets full of such cheerful faces and lovely dresses, the drives in the parks are delightful, and I never saw greater comfort in hotels anywhere. You may be sure that I shall come back to your city every chance I get."

John S. Cravens and family have been at the Ritz for several weeks and they left for their home in San Francisco on the Tuesday after Thanksgiving. In every way their visit to this city has been happy, and not the smallest factor in this result was, said the head of the house to the manager of that hotel, the ease, almost Western in its graciousness, with which they had made acquaintances.

"New York is a sort of second home to me," said Charles S. Pillsbury of Minneapolis scion of a name that is literally a household word, "I've been coming here on an average of once a month for several years. Sometimes I bring my family and sometimes I come on by myself. Either way I like the city almost as a confirmed resident does, and in fact we all like it.

"First, they make us very comfortable here; your hotels could hardly be improved upon, and it is pleasant for any one to get away from housekeeping cares to the enjoyment of comfort that equals and fairly resembles home comfort.

"So you see I can't be counted as a critic. Nor do I feel like becoming one. If you ask me what has struck me forcibly on this my latest visit I say that it is the resumption of building. The great efforts being taken to house your millions is perhaps more noticeable to a transient than to a permanent resident. If a list is being made up of those who love New York and of those who don't I put myself high up among the lovers of the city."

Iowans Hasten Home to Escape Noise and Bustle of Metropolis

A man and his wife from Davenport, Ia., who were at the same hotel for a fortnight cut short their visit, which had been planned to cover a month, because New York seemed to them a very unhomelike city. Having gained a promise that her name should not be used, the wife let herself go in a veritable stream of censure. The first counts against Gotham were its crowds and noises.

"I admit," said she, "that both are to be expected in a metropolis, but many of the noises are unnecessary and might be controlled, and certainly the crowds are not polite. I've been in your subway only once, but I vowed nothing should ever take me into it again.

"We succeeded in getting orchestra seats for the opera on the first popular night, a Saturday. I enjoyed seeing the Metropolitan Opera House, of which I had read so much, and the music was heavenly, but when we went into the foyer for a restful stroll between the two parts I found it unbearable. The rudest men pushed and jostled without any manners whatever. There were very few ladies walking about, and I guess they knew by experience, as we didn't, that the promenade of the opera is only for males.

"And as we were leaving, before we had reached the exit to get into our automobile I can't number the men who lighted up cigars and cigarettes and puffed their nasty smoke into my face.

"Your New York is very huge and very interesting, I admit, but it is not a well mannered city like Davenport."

That is a woman's view. Here is a man's: Victor Mendoza of Havana says he is happier here than at home except in the summer, for strangely enough he prefers the summer climate of Cuba to our Senegambian heated term. In his opinion politeness and urbanity are marked features in the treatment accorded to strangers by the people of New York. Life here, he thinks, is always agreeable, because whatever ills they may have to endure the citizens of this city are unselfish enough to hide them and to appear cheerful. The Cuban thought this outward aspect of cheer a true asset, likely to bring guests and to hold them.

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